

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
Truro, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

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INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Officials

<i>Name</i>	<i>Title</i>	<i>Term Expires</i>
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Board of Education

Bryan Arzani	President	2017
Dan Kirkpatrick	Vice President	2017
John Hughes	Board Member	2019
Jeremy Maske	Board Member	2019
Eddie Vonnahme	Board Member	2019

School Officials

Dr. Kevin Fiene	Superintendent	2016
Ted Bauer	District Secretary/Treasurer and Business Manager	2016
Ahlers and Cooney, P.C.	Attorney	Indefinite

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Interstate 35 Community School District
Truro, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District, Truro, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Interstate 35 Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statement. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2017 on our consideration of Interstate 35 Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Interstate 35 Community School District's internal control over financial reporting and compliance.

Schnum & Company, LLP

Fort Dodge, Iowa
January 20, 2017

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interstate 35 Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,736,929 in fiscal year 2015 to \$9,456,360 in fiscal year 2016, while General Fund expenditures increased from \$8,910,902 in fiscal year 2015 to \$9,214,709 in fiscal year 2016. This District's General Fund balance increased from \$1,314,673 at the end of fiscal year 2015 to \$1,576,898 at the end of fiscal year 2016, a 19.9% increase.
- The 8.23% increase in General Fund revenues, \$719,431, was largely attributable to the 1.25% increase in the supplemental state aid and an increase in budget enrollment of 9 students; in addition, the district received \$387,803 in instructional support levy funds for the first time in FY 16.
- The 3.41% increase in General Fund expenditures (\$303,807) was attributable to salary and benefit increases and curriculum material purchases.
- Certified enrollment (October, 2015) increased by 9 students from Certified enrollment (October, 2014).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Interstate 35 Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Interstate 35 Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Interstate 35 Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Funds are the School Nutrition Fund and Roadrunner Childcare Center.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Private-Purpose Trust. The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-1 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change %
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 6,788,369	\$ 6,856,668	\$ 51,292	\$ 53,616	\$ 6,839,661	\$ 6,910,284	-1.02%
Capital assets	12,977,826	13,011,592	11,955	14,508	12,989,781	13,026,100	-0.28%
Total assets	19,766,195	19,868,260	63,247	68,124	19,829,442	19,936,384	-0.54%
Deferred outflows of resources	1,254,628	762,971	35,213	21,108	1,289,841	784,079	100.00%
Long-term liabilities	4,407,026	4,115,626	114,858	92,170	4,521,884	4,207,796	7.46%
Other liabilities	1,643,182	1,749,638	35,783	33,556	1,678,965	1,783,194	-5.85%
Total liabilities	6,050,208	5,865,264	150,641	125,726	6,200,849	5,990,990	3.50%
Deferred inflows of resources	4,693,489	4,876,044	22,929	30,144	4,716,418	4,906,188	-3.87%
Net position							
Net investment in capital assets	12,214,544	11,487,055	11,955	14,508	12,226,499	11,501,563	6.30%
Restricted	748,042	1,352,652	-	-	748,042	1,352,652	-44.70%
Unrestricted	(2,685,460)	(2,949,784)	(87,065)	(81,146)	(2,772,525)	(3,030,930)	8.53%
Total net position	\$ 10,277,126	\$ 9,889,923	\$ (75,110)	\$ (66,638)	\$ 10,202,016	\$ 9,823,285	3.86%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total net position increased 3.9%, or approximately \$380,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$605,000, or 44.7%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$260,000, or 8.5%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015:

Figure A-2 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change %
	June 30, 2016	2015	June 30, 2016	2015	June 30, 2016	2015	June 30, 2015-2016
Revenues:							
Program revenues:							
Charges for service	\$ 825,368	\$ 799,753	\$ 305,923	\$ 306,036	\$ 1,131,291	\$ 1,105,789	2.31%
Operating grants, contributions and restricted interest	1,381,065	1,241,588	200,963	198,933	1,582,028	1,440,521	9.82%
General revenues:							
Property tax	3,786,744	3,726,529	-	-	3,786,744	3,726,529	1.62%
Statewide sales, services and use tax	854,391	827,582	-	-	854,391	827,582	3.24%
Unrestricted state grants	4,340,915	4,407,096	-	-	4,340,915	4,407,096	-1.50%
Unrestricted investment earnings	2,461	2,684	23	763	2,484	3,447	-27.94%
Other	225,428	163,461	-	-	225,428	163,461	37.91%
Total revenues	11,416,372	11,168,693	506,909	505,732	11,923,281	11,674,425	2.13%
Program expenses:							
Governmental activities:							
Instruction	6,837,573	6,275,541	-	-	6,837,573	6,275,541	8.96%
Student support services	3,162,367	3,354,901	9,525	5,301	3,171,892	3,360,202	-5.60%
Non-instructional programs	-	-	503,303	472,116	503,303	472,116	6.61%
Other expenses	1,029,229	876,757	2,553	7,180	1,031,782	883,937	16.73%
Total expenses	11,029,169	10,507,199	515,381	484,597	11,544,550	10,991,796	5.03%
Change in net position	387,203	661,494	(8,472)	21,135	378,731	682,629	-44.52%
Net position beginning of year	9,889,923	9,228,429	(66,638)	(87,773)	9,823,285	9,140,656	7.47%
Net position end of year	\$ 10,277,126	\$ 9,889,923	\$ (75,110)	\$ (66,638)	\$ 10,202,016	\$ 9,823,285	3.86%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2016, property tax and unrestricted state grants accounted for 71.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100.0% of the business type activities revenue. The District's total revenues were approximately \$11.9 million, of which approximately \$11.4 million was for governmental activities and \$0.5 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 2.1% increase in revenues and a 5.0% increase in expenses.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-3						
Total and Net Cost of Governmental Activities						
Total Cost of Services			Net Cost of Services			
		%			%	
	2016	2015	Change	2016	2015	Change
			2015-2016			2015-2016
Instruction	\$ 6,837,573	\$ 6,275,541	9.0%	\$ 4,989,290	\$ 4,608,407	8.26%
Support services	3,162,367	3,354,901	-5.7%	3,162,367	3,331,303	-5.07%
Other expenses	1,029,229	876,757	17.4%	671,079	526,148	27.55%
Total	\$ 11,029,169	\$ 10,507,199	5.0%	8,822,736	8,465,858	4.22%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$825,368.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,381,065.
- The net cost of governmental activities was financed with \$4,641,135 in property and other taxes and \$4,340,915 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$506,909, representing a 0.2% increase over the prior year, while expenses totaled \$515,381, a 6.4% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement and investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

INDIVIDUAL FUND ANALYSIS

As previously noted, Interstate 35 Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,924,455 below last year's ending fund balances of \$2,142,763. The primary reasons for the decrease in combined fund balances at the end of fiscal year 2016 is due to increased expenditures from the Capital Projects Fund and no Management Levy generated in the Non-Major Funds.

Governmental Fund Highlights

- The District's General Fund financial position improved during the year. Despite the 1.25% supplemental state assistance (formerly allowable growth), the increase in enrollment and the instructional support levy helped revenues to increase by \$719,431. Expenditures increased \$303,807 primarily due to salaries and benefit costs and curriculum material purchases.
- The Debt Service Fund balance decreased \$484 from fiscal year 2015. The decrease is due to the repayment of refunding general obligation bonds and interest in the amount of \$777,526.
- The Capital Projects Fund balance decreased due to the purchase of \$1,084,834 of capital assets and \$312,662 for payment on school bus lease and general obligation capital loan. The decline is attributed to replacing computers and band instruments, payment on bus lease and general obligation capital loan, security camera system installed on campus, cameras installed in school vans, carpet replacement in classrooms, window replacement in classrooms, clock system and intercom system replaced in elementary, hot water tank replaced in locker room area, LED lighting installed campus wide, and HVAC climate controls installed in each classroom.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from (\$66,638) at June 30, 2015 to (\$75,110) at June 30, 2016. For fiscal year 2016, the District's non-operating revenue increased slightly, while expenditures increased principally due to increased spending on supplies.

BUDGETARY HIGHLIGHTS

The District's total revenues were approximately \$330,000 less than total budgeted revenues, a variance of approximately 2.7%.

Total expenditures were less than budgeted by approximately \$675,000.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$13 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4). This represents a net decrease of 0.3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$632,191.

The original cost of the District's capital assets was approximately \$22.2 million. Governmental funds account for approximately \$21.8 million, with the remainder of approximately \$0.4 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

Figure A-4 Assets, net of Depreciation							
	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		%
	2016	2015	2016	2015	2016	2015	June 30, 2015-2016
Land	\$ 600,734	\$ 600,734	\$ -	\$ -	\$ 600,734	\$ 600,734	0.00%
Construction in progress	170,343	-	-	-	170,343	-	0.00%
Buildings	10,751,807	11,100,993	-	-	10,751,807	11,100,993	-3.15%
Improvements, other than buildings	319,990	350,419	-	-	319,990	350,419	-8.68%
Furniture and equipment	1,134,952	959,446	11,955	14,508	1,146,907	973,954	17.76%
Total	\$ 12,977,826	\$ 13,011,592	\$ 11,955	\$ 14,508	\$ 12,989,781	\$ 13,026,100	-0.28%

Long-Term Debt

At June 30, 2016, the District had \$5,177,198 in total long-term debt outstanding. This represents an increase of approximately 3.0% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-5 Outstanding Long-term Obligations			
	Total School District		%
	June 30,		Total Change
	2016	2015	June 30, 2015-2016
General obligation bonds	\$ 245,000	\$ 700,000	-65.00%
Capital loan notes	415,000	620,000	-33.06%
Capital lease purchase agreement	103,282	204,537	-49.50%
Early retirement	178,624	62,257	186.91%
Compensated absences	28,245	22,367	26.28%
Net pension liability	3,607,047	2,935,993	22.86%
Net OPEB liability	600,000	483,000	24.22%
Total	\$ 5,177,198	\$ 5,028,154	2.96%

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Every year the District negotiates new agreements with the Interstate 35 Education Association for certified staff and the Interstate 35 Educational Support Employees Association/ISEA for support personnel. Any settlements in excess of “new money” or growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for FY17 at 2.25% and at the time of this report, had not yet set the FY18 rate.
- Certified enrollment (October 1, 2016) for FY18 funding was 888, an increase of 20 students from October 1, 2015.
- Nonresident student enrollment (October 1, 2016) for FY18 was 65, a decrease of 3 students from October 1, 2015.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ted Bauer, District Secretary/Treasurer and Business Manager, Interstate 35 Community School District, 405 E. North Street, Truro IA 50257.

BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,508,064	\$ 44,614	\$ 2,552,678
Receivables:			
Property tax:			
Delinquent	38,944	-	38,944
Succeeding year	3,876,531	-	3,876,531
Accounts	-	633	633
Due from other governments	349,934	-	349,934
Internal balances	14,896	(14,896)	-
Inventories	-	6,045	6,045
Capital assets not being depreciated	771,077	-	771,077
Capital assets, net of accumulated depreciation	12,206,749	11,955	12,218,704
Total assets	19,766,195	48,351	19,814,546
Deferred Outflows of Resources			
Pension related deferred outflows	1,254,628	35,213	1,289,841
Liabilities			
Accounts payable	200,933	-	200,933
Salaries and benefits payable	765,696	14,379	780,075
Advances from grantors	20,754	-	20,754
Unearned revenue	-	6,508	6,508
Accrued interest payable	485	-	485
Long-term liabilities:			
Portion due within one year:			
Early retirement	68,787	-	68,787
Bonds payable	245,000	-	245,000
Capital loan notes payable	210,000	-	210,000
Capital lease purchase agreement	103,282	-	103,282
Compensated absences	28,245	-	28,245
Portion due after one year:			
Early retirement	109,837	-	109,837
Capital loan notes payable	205,000	-	205,000
Net pension liability	3,508,575	98,472	3,607,047
Net OPEB liability	583,614	16,386	600,000
Total liabilities	6,050,208	135,745	6,185,953

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Exhibit A
(Continued)**

**STATEMENT OF NET POSITION
June 30, 2016**

	Governmental Activities	Business Type Activities	Total
Deferred Inflows of Resources			
Property taxes levied for subsequent years	\$ 3,876,531	\$ -	\$ 3,876,531
Pension related deferred inflows	816,958	22,929	839,887
	<u>4,693,489</u>	<u>22,929</u>	<u>4,716,418</u>
Net Position			
Net investment in capital assets	12,214,544	11,955	12,226,499
Restricted for:			
Categorical funding	400,485	-	400,485
Management levy purposes	201,609	-	201,609
Student activities	136,544	-	136,544
School infrastructure	(109,314)	-	(109,314)
Physical plant and equipment	51,854	-	51,854
Debt Service	66,864	-	66,864
Unrestricted	<u>(2,685,460)</u>	<u>(87,065)</u>	<u>(2,772,525)</u>
Total net position	<u>\$ 10,277,126</u>	<u>\$ (75,110)</u>	<u>\$ 10,202,016</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

		Program Revenues	
		Charges for	Operating Grants, Contributions and Restricted Interest
	Expenses	Service	
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 4,190,455	\$ 437,446	\$ 681,227
Special instruction	1,141,010	68,016	134,864
Other instruction	1,506,108	319,906	206,824
	<u>6,837,573</u>	<u>825,368</u>	<u>1,022,915</u>
Support services:			
Student	176,518	-	-
Instructional staff	362,962	-	-
Administration	1,316,804	-	-
Operation and maintenance of plant	666,915	-	-
Transportation	639,168	-	-
	<u>3,162,367</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	276,568	-	-
Long-term debt interest	14,896	-	-
AEA flowthrough	358,150	-	358,150
Depreciation (unallocated)*	379,615	-	-
	<u>1,029,229</u>	<u>-</u>	<u>358,150</u>
Total governmental activities	<u>11,029,169</u>	<u>825,368</u>	<u>1,381,065</u>
Business type activities:			
Support services:			
Operation and maintenance of plant	9,525	-	-
	<u>9,525</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	505,856	305,923	200,963
Total business type activities	<u>515,381</u>	<u>305,923</u>	<u>200,963</u>
Total	<u>\$ 11,544,550</u>	<u>\$ 1,131,291</u>	<u>\$ 1,582,028</u>

Exhibit B

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ (3,071,782)	\$ -	\$ (3,071,782)
(938,130)	-	(938,130)
(979,378)	-	(979,378)
(4,989,290)	-	(4,989,290)
(176,518)	-	(176,518)
(362,962)	-	(362,962)
(1,316,804)	-	(1,316,804)
(666,915)	-	(666,915)
(639,168)	-	(639,168)
(3,162,367)	-	(3,162,367)
(276,568)	-	(276,568)
(14,896)	-	(14,896)
-	-	-
(379,615)	-	(379,615)
(671,079)	-	(671,079)
(8,822,736)	-	(8,822,736)
-	(9,525)	(9,525)
-	(9,525)	(9,525)
-	1,030	1,030
-	(8,495)	(8,495)
(8,822,736)	(8,495)	(8,831,231)

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Program Revenues	
		Operating Grants, Contributions and Restricted Interest
	Charges for Service	
Expenses		
General Revenues:		
Property tax levied for:		
General purposes		
Debt service		
Capital outlay		
Statewide sales, services and use tax		
Unrestricted state grants		
Unrestricted investment earnings		
Other		
Total general revenues		
Change in net position		
Net position beginning of year		
Net position end of year		

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

**Exhibit B
(Continued)**

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ 3,060,350	-	\$ 3,060,350
461,580	-	461,580
264,814	-	264,814
854,391	-	854,391
4,340,915	-	4,340,915
2,461	23	2,484
225,428	-	225,428
9,209,939	23	9,209,962
387,203	(8,472)	378,731
9,889,923	(66,638)	9,823,285
\$ 10,277,126	\$ (75,110)	\$ 10,202,016

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

		General	Capital Projects
	Assets		
Cash and pooled investments		\$ 1,795,810	\$ 311,984
Receivables:			
Property tax:			
Delinquent		31,474	2,723
Succeeding year		3,091,018	346,683
Due from other governments		209,604	140,330
Due from other funds		514,896	-
Total assets		\$ 5,642,802	\$ 801,720
	Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:			
Accounts payable		\$ 188,436	\$ 12,497
Salaries and benefits payable		765,696	-
Advances from grantors		20,754	-
Due to other funds		-	500,000
Total liabilities		974,886	512,497
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax		3,091,018	346,683
Total deferred inflows of resources		3,091,018	346,683
Fund Balances:			
Restricted for:			
Categorical funding		400,485	-
Debt service		-	-
School infrastructure		-	(109,314)
Physical plant and equipment		-	51,854
Management levy purposes		-	-
Student activities		-	-
Committed for future purchases		89,728	-
Unassigned		1,086,685	-
Total fund balances		1,576,898	(57,460)
Total liabilities, deferred inflows of resources and fund balances		\$ 5,642,802	\$ 801,720

See notes to financial statements.

Exhibit C

Nonmajor		Total	
\$	400,270	\$	2,508,064
	4,747		38,944
	438,830		3,876,531
	-		349,934
	-		514,896
<hr/>		<hr/>	
\$	843,847	\$	7,288,369
<hr/>		<hr/>	

\$	-	\$	200,933
	-		765,696
	-		20,754
	-		500,000
<hr/>		<hr/>	
	-		1,487,383
<hr/>		<hr/>	

438,830	3,876,531
<hr/>	
438,830	3,876,531
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-	400,485
66,864	66,864
-	(109,314)
-	51,854
201,609	201,609
136,544	136,544
-	89,728
-	1,086,685
<hr/>	
405,017	1,924,455
<hr/>	

\$	843,847	\$	7,288,369
<hr/>		<hr/>	

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit D****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances of governmental funds (page 17) \$ 1,924,455

***Amounts reported for governmental activities in the Statement
of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 12,977,826

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (485)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,254,628	
Deferred inflows of resources	<u>(816,958)</u>	437,670

Long-term liabilities, including bonds and notes payable, capital lease purchase agreements, early retirement obligations, compensated absences payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,062,340)

Net position of governmental activities (page 14) \$ 10,277,126

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2016

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 3,060,350	\$ 264,814
Tuition	470,514	-
Other	175,575	38,492
State sources	5,497,667	855,998
Federal sources	252,254	-
Total revenues	9,456,360	1,159,304
Expenditures:		
Current:		
Instruction:		
Regular	3,951,557	21,638
Special	1,125,996	-
Other	1,214,684	-
	6,292,237	21,638
Support services:		
Student	173,525	-
Instructional staff	214,093	416,419
Administration	1,055,775	-
Operation and maintenance of plant	634,625	19,770
Transportation	486,304	23,988
	2,564,322	460,177
Other expenditures:		
Facilities acquisition	-	603,019
Long-term debt:		
Principal	-	-
Interest and fiscal charges	-	-
AEA flowthrough	358,150	-
	358,150	603,019
Total expenditures	9,214,709	1,084,834
Excess (deficiency) of revenues over (under) expenditures	241,651	74,470

Exhibit E

Nonmajor	Total
\$ 461,579	\$ 3,786,743
-	470,514
315,754	529,821
2,801	6,356,466
-	252,254
780,134	11,395,798
38,659	4,011,854
-	1,125,996
270,476	1,485,160
309,135	6,623,010
-	173,525
-	630,512
241,357	1,297,132
-	654,395
7,119	517,411
248,476	3,272,975
-	603,019
761,255	761,255
16,271	16,271
-	358,150
777,526	1,738,695
1,335,137	11,634,680
(555,003)	(238,882)

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

Governmental Funds

Year Ended June 30, 2016

	General	Capital Projects
Other financing sources (uses):		
Proceeds from disposal of personal property	\$ 20,574	\$ -
Interfund transfers in	-	-
Interfund transfers out	-	(312,662)
Total other financing sources (uses)	<u>20,574</u>	<u>(312,662)</u>
Change in fund balances	262,225	(238,192)
Fund balances, beginning of year	<u>1,314,673</u>	<u>180,732</u>
Fund balances, end of year	<u>\$ 1,576,898</u>	<u>\$ (57,460)</u>

See notes to financial statements.

Exhibit E
(Continued)

Nonmajor		Total	
\$	-	\$	20,574
	312,662		312,662
	-		(312,662)
	312,662		20,574
	(242,341)		(218,308)
	647,358		2,142,763
\$	405,017	\$	1,924,455

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Exhibit F

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2016**

Change in fund balances - total governmental funds (page 20) \$ (218,308)

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 595,872	
Depreciation expense	(629,638)	(33,766)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	761,255
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,375
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The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position.	462,857
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(116,367)	
Compensated absences	(5,878)	
Pension expense	(350,220)	
Other postemployment benefits	(113,745)	(586,210)

Change in net position of governmental activities (page 16)	\$ 387,203
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See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit G****STATEMENT OF NET POSITION****Proprietary Funds****June 30, 2016**

	Enterprise Funds
Assets	
Current assets:	
Cash	\$ 44,614
Accounts receivable	633
Inventories	6,045
Total current assets	<u>51,292</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>11,955</u>
Total assets	<u>63,247</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>35,213</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	14,379
Due to other funds	14,896
Unearned revenue	6,508
Total current liabilities	<u>35,783</u>
Noncurrent liabilities:	
Net pension liability	98,472
Net OPEB liability	16,386
Total noncurrent liabilities	<u>114,858</u>
Total liabilities	<u>150,641</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>22,929</u>
Net Position	
Net investment in capital assets	11,955
Unrestricted	(87,065)
Total net position	<u><u>\$ (75,110)</u></u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit H****STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION****Proprietary Funds****Year ended June 30, 2016**

	Enterprise Funds
Operating revenues:	
Local sources:	
Charges for service	\$ 305,923
Operating expenses:	
Support services:	
Operation and maintenance of plant	9,525
Non-instructional programs:	
Food service operations:	
Salaries	144,821
Benefits	86,368
Purchased services	5,552
Supplies	266,562
Depreciation	2,553
	505,856
Total operating expenses	515,381
Operating (loss)	(209,458)
Non-operating revenues:	
Interest income	23
State sources	3,717
Federal sources	197,246
Total non-operating revenues	200,986
Decrease in net position	(8,472)
Net position beginning of year	(66,638)
Net position end of year	\$ (75,110)

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit I****STATEMENT OF CASH FLOWS****Proprietary Funds****Year ended June 30, 2016**

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 304,989
Cash paid to employees for services	(226,578)
Cash paid to suppliers for goods or services	(254,889)
Net cash (used by) operating activities	(176,478)
Cash flows from non-capital financing activities:	
State grants received	3,717
Federal grants received	169,648
Net cash provided by non-capital financing activities	173,365
Cash flows from investing activities:	
Interest on investments	23
Net cash provided by investing activities	23
Net decrease in cash	(3,090)
Cash beginning of year	47,704
Cash end of year	\$ 44,614

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit I
(Continued)****STATEMENT OF CASH FLOWS****Proprietary Funds****Year ended June 30, 2016**

	Enterprise Funds
	<hr/>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (209,458)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	2,553
Commodities used	27,598
(Increase) in accounts receivable	(13)
(Increase) in inventories	(753)
(Decrease) in accounts payables	(95)
Increase in salaries and benefits payable	3,243
(Decrease) in unearned revenue	(921)
Increase in net pension liability	19,433
(Increase) in deferred outflows of resources	(14,105)
(Decrease) in deferred inflows of resources	(7,215)
Increase in net OPEB liability	3,255
	<hr/>
Net cash (used by) operating activities	\$ (176,478)
	<hr/>

Non-cash investing, capital and related financial activities:

During the year ended June 30, 2016, the District received \$27,598 of federal commodities.

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit J****STATEMENT OF FIDUCIARY NET POSITION****Fiduciary Funds****June 30, 2016**

	Private Purpose Trust
	<hr/>
	Scholarship
	<hr/>
Assets	
Cash and pooled investments	\$ 15,580
	<hr/>
Total assets	15,580
	<hr/>
Net position	
Restricted for scholarships	\$ 15,580
	<hr/> <hr/>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT**Exhibit K****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****Fiduciary Funds****Year Ended June 30, 2016**

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 21,200
Total additions	21,200
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	19,200
Change in net position	2,000
Net position, beginning of year	13,580
Net position, end of year	\$ 15,580

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Interstate 35 Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education and regular pre-kindergarten. The geographic area served includes the Cities of Truro, New Virginia and St. Charles, Iowa and agricultural territory in Madison, Clarke and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Interstate 35 Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison, Clarke and Warren County Assessor's Conference Boards.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) –

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The District's proprietary Funds are the Enterprise, School Nutrition Fund and the Roadrunner Childcare Center Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Roadrunner Childcare Center Fund is used to account for the daycare services previously provided to the community by the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued):

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	15 - 50
Improvements other than buildings	20 - 25
Furniture and equipment:	5 - 20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned by unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued):

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$67,674 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard and Poor's Financial Services.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 500,000
General	Enterprise, Roadrunner Childcare Center	14,896
		<u>\$ 514,896</u>

The Capital Projects Fund is repaying the General Fund for funds advanced to complete capital asset purchases. The balance is to be repaid by June 30, 2017.

Note 4. Interfund Transfers

The detail of interfund transfers at June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 312,662</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2016 were as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600,734	\$ -	\$ -	\$ 600,734
Construction in progress	-	170,343		170,343
Total capital assets not being depreciated	600,734	170,343	-	771,077
Capital assets being depreciated:				
Buildings	16,813,068	-	-	16,813,068
Improvements other than buildings	769,457	-	-	769,457
Furniture and equipment	3,054,114	425,529	-	3,479,643
Total capital assets being depreciated	20,636,639	425,529	-	21,062,168
Less accumulated depreciation for:				
Buildings	5,712,075	349,186	-	6,061,261
Improvements other than buildings	419,038	30,429	-	449,467
Furniture and equipment	2,094,668	250,023	-	2,344,691
Total accumulated depreciation	8,225,781	629,638	-	8,855,419
Total capital assets being depreciated, net	12,410,858	(204,109)	-	12,206,749
Governmental activities capital assets, net	\$ 13,011,592	\$ (33,766)	\$ -	\$ 12,977,826
Business type activities:				
Furniture and equipment	\$ 353,443	\$ -	\$ -	\$ 353,443
Less accumulated depreciation	338,935	2,553		341,488
Business type activities capital assets, net	\$ 14,508	\$ (2,553)	\$ -	\$ 11,955

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 124,231

Support services:

Administration 3,455

Operation and maintenance of plant 6,313

Transportation 116,024

250,023

Unallocated

379,615

Total depreciation expense - governmental activities

\$ 629,638

Business type activities:

Food service operations

\$ 2,553

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 700,000	\$ -	\$ 455,000	\$ 245,000	\$ 245,000
Capital loan notes	620,000	-	205,000	415,000	210,000
Capital lease purchase agreement	204,537	-	101,255	103,282	103,282
Early retirement	62,257	153,131	36,764	178,624	68,787
Compensated absences	22,367	28,245	22,367	28,245	28,245
Net pension liability	2,856,954	651,621	-	3,508,575	-
Net OPEB liability	469,869	113,745	-	583,614	-
Total	\$ 4,935,984	\$ 946,742	\$ 820,386	\$ 5,062,340	\$ 655,314
Business type activities:					
Net pension liability	\$ 79,039	\$ 19,433	\$ -	\$ 98,472	\$ -
Net OPEB liability	13,131	3,255	-	16,386	-
	\$ 92,170	\$ 22,688	\$ -	\$ 114,858	\$ -

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-term Liabilities (Continued)

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond Issue of April 24, 2012		
		Principal	Interest	Total
2017	1.10-1.20%	\$ 245,000	\$ 2,160	\$ 247,160
		\$ 245,000	\$ 2,160	\$ 247,160

Capital Loan Notes

Details of the District's June 30, 2016 capital loan notes indebtedness are as follows:

Year Ending June 30,	Rate Rate	Capital loan note issue of June 3, 2013		
		Principal	Interest	Total
2017	0.65%	\$ 210,000	\$ 3,005	\$ 213,005
2018	0.80%	205,000	1,640	206,640
		\$ 415,000	\$ 4,645	\$ 419,645

Capital Lease Purchase Agreement

In September, 2013, the District entered into a capital lease purchase agreement totaling \$409,153 for five buses. The District paid an initial payment of \$105,346 with the balance of \$303,807 to be paid in three annual payments including interest at 2%.

Details of the District's June 30, 2016 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 103,282	\$ 2,064	\$ 105,346
	\$ 103,282	\$ 2,064	\$ 105,346

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan

Plan Description: IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits: A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Contributions: Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$462,857.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the District reported a liability of \$3,607,047 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.073010%, which was an increase of 0.001021% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$347,293. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,498	\$ -
Changes of assumptions	99,311	-
Net difference between projected and annual earnings on IPERS investments	539,686	839,887
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	133,489	-
District contributions subsequent to the measurement date	462,857	-
Total	\$ 1,289,841	\$ 839,887

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued): \$462,857 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (59,334)
2018	(59,334)
2019	(59,334)
2020	164,224
2021	875
Total	<u><u>\$ (12,903)</u></u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Actuarial Assumptions (continued): The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity / debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real estate	2	6.24
Cash	1	(0.71)
Total	100 %	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,315,291	\$ 3,607,047	\$ 1,321,095

IPERS Fiduciary Net Position: Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

Payables to the Pension Plan: At June 30, 2016, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 129 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 190,000
Interest on net OPEB obligation	19,000
Adjustment to annual required contribution	(17,000)
Annual OPEB cost	<u>192,000</u>
Contributions made	(75,000)
Increase in net OPEB obligation	<u>117,000</u>
Net OPEB obligation beginning of year	<u>483,000</u>
Net OPEB obligation end of year	<u>\$ 600,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$75,000 to the medical plan.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued) – The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 78,000	61.5%	\$ 449,000
2015	78,000	56.4%	483,000
2016	192,000	39.1%	600,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$1,574,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,574,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,655,000 and the ratio of the UAAL to covered payroll was 33.8%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the District’s funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 3.5% is assumed for the purpose of this computation.

Mortality rates are from the RP-2014 Generational Table using MP 2015 Projection Scale, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Reports as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial Valuation Reports as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefit (OPEB) (Continued)

Actuarial Methods and Assumptions (continued) – The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. Projected claim costs of the medical plan per month for retirees age 60 are illustrated below for the three plan options.

PPO 500		PPO 750		HMO 500	
\$	983	\$	930	\$	885

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$358,150 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitment

The District entered into contracts totaling \$258,095 for a clock/intercom system, window replacement and door security projects. As of June 30, 2016, costs of \$170,343 had been incurred against the project. The balance of \$87,752 remaining at June 30, 2016 will be paid as work on the projects progresses.

NOTES TO FINANCIAL STATEMENTS

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Limited English proficient program	\$ 13,401
Home school assistance program	5,173
Gifted and talented programs	18,778
Returning dropouts and dropout prevention programs	28,319
Four-year old preschool state aid	19,236
Beginning teacher mentoring and induction program	141
Teacher salary supplement	25,052
Market factor	1,358
Iowa early intervention block grant	30,109
Professional development for model core curriculum	89,443
Professional development	111,165
Market factor incentives	113
STEM grant	2,400
Successful progression for early readers	55,797
Total	\$ 400,485

Note 13. Lease Commitments

The District leases office equipment under noncancellable operating lease agreements expiring in January 2017 and requiring monthly payments totaling \$1,403. The future minimum lease payments by year as of June 30, 2016 follows:

Year Ending June 30,	Amount
2017	\$ 16,834
2018	16,834
2019	16,834
2020	9,820
2021	-
	<u>\$ 60,322</u>

Total lease expense for the year ended June 30, 2016 was \$28,060.

REQUIRED SUPPLEMENTARY INFORMATION

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 4,787,078	\$ 305,946	\$ 5,093,024
State sources	6,356,466	3,717	6,360,183
Federal sources	252,254	197,246	449,500
Total revenues	11,395,798	506,909	11,902,707
Expenditures/Expenses:			
Instruction	6,623,010	-	6,623,010
Support services	3,272,975	9,525	3,282,500
Non-instructional programs	-	503,303	503,303
Other expenditures	1,738,695	2,553	1,741,248
Total expenditures/expenses	11,634,680	515,381	12,150,061
Excess (deficiency) of revenues over (under) expenditures/expenses	(238,882)	(8,472)	(247,354)
Other financing sources, net	20,574	-	20,574
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(218,308)	(8,472)	(226,780)
Balance, beginning of year	2,142,763	(66,638)	2,076,125
Balance, end of year	\$ 1,924,455	\$ (75,110)	\$ 1,849,345

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
\$ 5,140,055	\$ 5,140,055	\$ (47,031)
6,655,166	6,655,166	(294,983)
436,000	436,000	13,500
12,231,221	12,231,221	(328,514)
7,085,000	7,085,000	461,990
3,829,050	3,829,050	546,550
475,000	475,000	(28,303)
1,435,122	1,435,122	(306,126)
12,824,172	12,824,172	674,111
(592,951)	(592,951)	345,597
-	-	20,574
(592,951)	(592,951)	366,171
1,793,569	1,793,569	282,556
\$ 1,200,618	\$ 1,200,618	\$ 648,727

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING **Year Ended June 30, 2016**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures in the non-instructional programs and other expenditures functions exceeded the amount budgeted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Iowa Public Employees' Retirement System

Last Two Fiscal Years *

(In Thousands)

Required Supplementary Information

	2016	2015
District's proportion of the net pension liability	0.073010%	0.074031%
District's proportionate share of the net pension liability	\$ 3,607	\$ 2,936
District's covered-employee payroll	\$ 5,018	\$ 4,849
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.88%	60.55%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

Iowa Public Employees' Retirement System

For the Last Ten Fiscal Years

(In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 463	\$ 448	\$ 433	\$ 385
Contributions in relation to the statutorily required contribution	(463)	(448)	(433)	(385)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,183	\$ 5,018	\$ 4,849	\$ 4,441
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

2012		2011		2010		2009		2008		2007	
\$	341	\$	344	\$	295	\$	265	\$	236	\$	205
	(341)		(344)		(295)		(265)		(236)		(205)
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	4,226	\$	4,950	\$	4,436	\$	4,173	\$	3,901	\$	3,565
	8.07%		6.95%		6.65%		6.35%		6.05%		5.75%

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 1,491	\$ 1,491	0.00	\$ 4,103	36.3
2011	July 1, 2009	-	1,491	1,491	0.00	3,894	38.3
2012	July 1, 2009	-	1,491	1,491	0.00	4,373	34.1
2013	July 1, 2012	-	635	635	0.00	4,538	14.0
2014	July 1, 2012	-	635	635	0.00	4,915	12.9
2015	July 1, 2012	-	635	635	0.00	4,360	14.6
2016	July 1, 2015		1,574	1,574	0.00	4,655	33.8

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2016

		Special Revenue Funds	
		Management	Student
		Levy	Activity
Assets			
Cash and pooled investments		\$ 201,609	\$ 136,544
Receivables:			
Property tax:			
Delinquent		-	-
Succeeding year		191,170	-
Total assets		\$ 392,779	\$ 136,544
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable		\$ -	\$ -
Total liabilities		-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		191,170	-
Total deferred inflows of resources		191,170	-
Fund balances:			
Restricted for:			
Management levy purposes		201,609	-
Student activities		-	136,544
Debt services		-	-
Total fund balances		201,609	136,544
Total liabilities, deferred inflows of resources and fund balances		\$ 392,779	\$ 136,544

See accompanying independent auditor's report.

Schedule 1

Debt Service	Total
\$ 62,117	\$ 400,270
4,747	4,747
247,660	438,830
<u>\$ 314,524</u>	<u>\$ 843,847</u>
\$ -	\$ -
-	-
247,660	438,830
247,660	438,830
-	201,609
-	136,544
66,864	66,864
66,864	405,017
<u>\$ 314,524</u>	<u>\$ 843,847</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

Year ended June 30, 2016

	Special Revenue	
	Management Levy	Student Activity
Revenues:		
Local sources:		
Local tax	\$ -	\$ -
Other	36,270	279,484
State sources	-	-
Total revenues	36,270	279,484
Expenditures:		
Current:		
Instruction:		
Regular	38,659	-
Other	-	270,476
Support services:		
Administration	241,357	-
Transportation	7,119	-
	287,135	270,476
Other expenditures:		
Long-term debt:		
Principal	-	-
Interest and fiscal charges	-	-
	-	-
Total expenditures	287,135	270,476
Excess (deficiency) of revenues over (under) expenditures	(250,865)	9,008
Other financing sources:		
Transfers in	-	-
Total other financing sources	-	-
Change in fund balances	(250,865)	9,008
Fund balances beginning of year	452,474	127,536
Fund balances end of year	<u>\$ 201,609</u>	<u>\$ 136,544</u>

See accompanying independent auditor's report.

Schedule 2

Debt Service		Total	
<hr/>		<hr/>	
\$	461,579	\$	461,579
	-		315,754
	2,801		2,801
<hr/>		<hr/>	
	464,380		780,134
<hr/>		<hr/>	
	-		38,659
	-		270,476
	-		241,357
	-		7,119
<hr/>		<hr/>	
	-		557,611
<hr/>		<hr/>	
	761,255		761,255
	16,271		16,271
<hr/>		<hr/>	
	777,526		777,526
<hr/>		<hr/>	
	777,526		1,335,137
<hr/>		<hr/>	
	(313,146)		(555,003)
	312,662		312,662
<hr/>		<hr/>	
	312,662		312,662
<hr/>		<hr/>	
	(484)		(242,341)
	67,348		647,358
<hr/>		<hr/>	
\$	66,864	\$	405,017
<hr/>		<hr/>	

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	\$ 2,601	\$ 2,524	\$ 77
High School Vocal	3,677	2,093	4,239	1,531
High School Band	4,858	4,457	7,845	1,470
Co-ed Athletic Gates	5,331	39,654	38,373	6,612
Cross Country	1,345	2,161	1,024	2,482
High School Cheerleaders	3,870	6,601	9,012	1,459
Dance Team	7,762	6,195	5,156	8,801
Boys Basketball	988	1,650	930	1,708
Football	4,333	22,477	20,348	6,462
Baseball	749	2,566	2,910	405
Boys Track	1,907	2,922	4,517	312
Wrestling	3,430	11,467	8,980	5,917
Girls Basketball	2,566	6,154	5,802	2,918
Volleyball	2,804	2,222	3,169	1,857
Softball	1,132	2,600	2,969	763
Girls Track	3,891	1,105	2,828	2,168
High School General Athletics	2,112	4,782	5,916	978
Junior High Athletics	1,866	8,437	9,987	316
Knowledge Bowl	66	-	66	-
Concessions	16,829	83,713	71,691	28,851
AED Grant	87	-	-	87
Athletic Complex	88	-	-	88
Interest	4	73	77	-
Uniform Fund	4,494	9,500	1,472	12,522
TAG Activity Fund Balance	122	-	122	-
Honor Society	-	1,868	1,628	240
High School Student Council	4,888	5,525	6,357	4,056
FFA	12,793	22,622	20,390	15,025
High School Book Club	908	-	-	908
Senior Breakfast	97	50	32	115
Math and Science Club	602	3,368	3,349	621
Spanish Club	60	-	-	60
Middle School Band	2,156	-	2,156	-
Vocal Entry Fees	108	-	-	108

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Schedule 3
(Continued)**

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
7th and 8th Grade Vocal	\$ 2,030	\$ -	\$ 248	\$ 1,782
Elementary Vocal	1,860	7	896	971
Class of 2018	482	1,447	150	1,779
Class of 2019	383	510	-	893
Class of 2013	1,135	-	1,135	-
Class of 2014	321	-	321	-
Class of 2015	1,140	-	1,140	-
Class of 2016	2,003	61	2,064	-
Class of 2017	610	5,191	4,706	1,095
Scholarship Memorial	1,525	-	-	1,525
High School Fundraising	168	699	(514)	1,381
Steength and Agility	12	-	-	12
Preschool	758	-	-	758
Elementary Classes	3,348	4,104	4,731	2,721
EI/MS Library Fundraising	-	1,351	-	1,351
Middle School Classes	5,400	-	-	5,400
Junior High Student Council	9,075	1,583	3,984	6,674
Wrestling Cheerleading	1,363	7,667	7,746	1,284
Total	\$ 127,536	\$ 279,484	\$ 270,476	\$ 136,544

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2016

	Capital Projects		
	State wide	Physical Plant	
	Sales, Services	and Equipment	
	and Use Tax	Levy	Total
Assets			
Cash and pooled investments	\$ 262,853	\$ 49,131	\$ 311,984
Receivables:			
Property tax:			
Delinquent	-	2,723	2,723
Succeeding year	-	346,683	346,683
Due from other governments	140,330	-	140,330
Total assets	\$ 403,183	\$ 398,537	\$ 801,720
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 12,497	\$ -	\$ 12,497
Due to other funds	500,000	-	500,000
Total liabilities	512,497	-	512,497
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	346,683	346,683
Total deferred inflows of resources	-	346,683	346,683
Fund balances:			
Restricted for:			
School infrastructure	(109,314)	-	(109,314)
Physical plant and equipment	-	51,854	51,854
Total fund balances	(109,314)	51,854	(57,460)
Total liabilities, deferred inflows of resources and fund balances	\$ 403,183	\$ 398,537	\$ 801,720

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Projects Fund Accounts

Year ended June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 264,814	\$ 264,814
Other	38,492	-	38,492
State sources	854,391	1,607	855,998
Total revenues	892,883	266,421	1,159,304
Expenditures:			
Current:			
Instruction:			
Regular instruction	21,638	-	21,638
Support services:			
Instructional staff	416,419	-	416,419
Operation and maintenance of plant	6,804	12,966	19,770
Student transportation	18,530	5,458	23,988
Other expenditures:			
Facilities acquisition	530,746	72,273	603,019
Total expenditures	994,137	90,697	1,084,834
Excess (deficiency) of revenues over (under) expenditures	(101,254)	175,724	74,470
Other financing sources (uses):			
Transfers out	(105,346)	(207,316)	(312,662)
Total other financing (uses)	(105,346)	(207,316)	(312,662)
Change in fund balances	(206,600)	(31,592)	(238,192)
Fund balances beginning of year	97,286	83,446	180,732
Fund balances end of year	\$ (109,314)	\$ 51,854	\$ (57,460)

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 6

Combining Schedule of Fund Net Position
Enterprise Funds

June 30, 2016

	School Nutrition	Roadrunner Childcare Center	Total
Assets			
Current assets:			
Cash	\$ 44,614	\$ -	\$ 44,614
Accounts receivable	633	-	633
Inventories	6,045	-	6,045
Total current assets	51,292	-	51,292
Noncurrent assets:			
Capital assets, net of accumulated depreciation	11,955	-	11,955
Total assets	63,247	-	63,247
Deferred Outflows of Resources:			
Pension related deferred outflows	35,213	-	35,213
Liabilities			
Current liabilities:			
Salaries and benefits payable	14,379	-	14,379
Due to other funds	-	14,896	14,896
Unearned revenue	6,508	-	6,508
Total current liabilities	20,887	14,896	35,783
Noncurrent liabilities:			
Net pension liability	98,472	-	98,472
Net OPEB liability	16,386	-	16,386
Total noncurrent liabilities	114,858	-	114,858
Total liabilities	135,745	14,896	150,641
Deferred inflows of resources:			
Pension related deferred inflows	22,929	-	22,929
Net position			
Net investment in capital assets	11,955	-	11,955
Unrestricted	(72,169)	(14,896)	(87,065)
Total net position	\$ (60,214)	\$ (14,896)	\$ (75,110)

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 7

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Enterprise Funds

Year ended June 30, 2016

	School Nutrition	Roadrunner Childcare Center	Total
Operating revenues:			
Local sources:			
Charge for services	\$ 305,923		\$ 305,923
Total revenues	305,923	-	305,923
Operating expenses:			
Support services:			
Operation and maintenance of plant	9,525	-	9,525
Non-instructional programs:			
Food service operations:			
Salaries	144,821	-	144,821
Benefits	86,368	-	86,368
Purchased services	5,552	-	5,552
Supplies	266,562	-	266,562
Depreciation	2,553	-	2,553
	505,856	-	505,856
Total operating expenses	515,381	-	515,381
Operating (loss)	(209,458)	-	(209,458)
Non-operating revenues:			
Interest income	23	-	23
State source	3,717	-	3,717
Federal sources	197,246	-	197,246
Total non-operating revenues	200,986	-	200,986
Decrease in net position	(8,472)	-	(8,472)
Net position, beginning of year	(51,742)	(14,896)	(66,638)
Net position, end of year	\$ (60,214)	\$ (14,896)	\$ (75,110)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule 8

Combining Schedule of Cash Flows
Enterprise Funds

Year ended June 30, 2016

	School Nutrition	Roadrunner Childcare Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 304,989	\$ -	\$ 304,989
Cash payments to employees for services	(226,578)	-	(226,578)
Cash payments to suppliers for goods and services	(254,889)	-	(254,889)
Net cash (used by) operating activities	(176,478)	-	(176,478)
Cash flows from non-capital financing activities:			
State grants received	3,717	-	3,717
Federal grants received	169,648	-	169,648
Net cash provided by non-capital financial activities	173,365	-	173,365
Cash flows from investing activities:			
Interest on investments	23	-	23
Net cash provided by investing activities	23	-	23
Net (decrease) in cash	(3,090)	-	(3,090)
Cash, beginning of year	47,704	-	47,704
Cash, end of year	\$ 44,614	\$ -	\$ 44,614

(Continued on next page)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

**Schedule 8
(Continued)**

**Combining Schedule of Cash Flows
Enterprise Funds**

Year ended June 30, 2016

	School Nutrition	Roadrunner Childcare Center	Total
Reconciliation of operating (loss) to net cash (used by) operating activities:			
Operating (loss)	\$ (209,458)	\$ -	\$ (209,458)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	2,553	-	2,553
Commodities used	27,598	-	27,598
(Increase) in accounts receivable	(13)	-	(13)
(Increase) in inventories	(753)	-	(753)
(Decrease) in accounts payables	(95)	-	(95)
Increase in salaries and benefits payable	3,243	-	3,243
(Decrease) in unearned revenue	(921)	-	(921)
Increase in net pension liability	19,433	-	19,433
(Increase) in deferred outflows of resources	(14,105)	-	(14,105)
(Decrease) in deferred inflows of resources	(7,215)	-	(7,215)
Increase in net OPEB liability	3,255	-	3,255
Net cash (used by) operating activities	\$ (176,478)	\$ -	\$ (176,478)

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 3,786,743	\$ 3,714,225	\$ 3,773,533	\$ 4,397,340
Tuition	470,514	459,696	486,736	469,523
Other	529,821	477,492	313,897	353,498
Intermediate sources	-	-	-	-
State sources	6,356,466	6,301,356	6,287,829	5,162,093
Federal sources	252,254	187,214	216,024	228,655
Total revenues	\$ 11,395,798	\$ 11,139,983	\$ 11,078,019	\$ 10,611,109
Expenditures:				
Instruction	\$ 6,623,010	\$ 6,314,949	\$ 6,236,546	\$ 5,720,492
Support services:				
Student	173,525	250,131	256,959	240,746
Instructional staff	630,512	590,128	352,061	337,479
Administration	1,297,132	1,228,257	1,147,763	1,080,367
Operation and maintenance				
of plant	654,395	681,923	580,869	618,882
Transportation	517,411	632,276	1,013,391	655,178
Non-instructional programs	-	-	6,379	1,632
Other expenditures:				
Facilities acquisition	603,019	353,070	1,297,132	243,407
Long-term debt:				
Principal	761,255	1,009,270	890,000	2,140,000
Interest and other charges	16,271	28,271	33,304	106,911
AEA flow through	358,150	350,609	343,798	323,018
Total expenditures	\$ 11,634,680	\$ 11,438,884	\$ 12,158,202	\$ 11,468,112

See accompanying independent auditor's report.

Schedule 9

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
\$ 4,190,206	\$ 3,993,720	\$ 3,713,350	\$ 3,689,949	\$ 3,326,721	\$ 3,296,822
376,761	377,762	409,448	430,322	355,098	322,459
380,561	325,713	405,991	428,611	443,370	500,273
-	353	1,995	20,671	673	9,691
5,037,781	4,636,905	3,989,444	4,735,246	4,752,359	4,453,988
323,488	270,037	628,378	433,239	635,610	169,225
\$ 10,308,797	\$ 9,604,490	\$ 9,148,606	\$ 9,738,038	\$ 9,513,831	\$ 8,752,458
\$ 5,438,875	\$ 5,270,885	\$ 5,327,859	\$ 5,719,591	\$ 5,211,380	\$ 4,874,895
227,848	170,644	166,748	136,504	133,351	124,138
362,936	436,885	318,651	190,381	79,919	55,002
1,092,208	958,645	968,134	928,888	838,959	860,317
601,767	577,505	657,582	753,379	644,583	639,872
592,832	519,369	715,343	519,824	507,750	465,040
612	8,190	-	-	-	-
74,323	334,101	558,685	2,639,674	537,325	51,501
3,156,073	833,311	770,000	555,000	385,000	375,000
240,899	216,501	242,153	245,357	158,623	169,947
309,745	335,812	331,913	309,836	300,529	282,513
\$ 12,098,118	\$ 9,661,848	\$ 10,057,068	\$ 11,998,434	\$ 8,797,419	\$ 7,898,225

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Interstate 35 Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interstate 35 Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Interstate 35 Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Interstate 35 Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interstate 35 Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Interstate 35 Community School District's Responses to Findings

Interstate 35 Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Interstate 35 Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnur & Company, LLP

Fort Dodge, Iowa
January 20, 2017

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-16 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – We realized segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting:

III-A-16 Certified Budget: Expenditures for the year ended June 30, 2016 exceeded the amended certified budget amount in the non-instructional program and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-16 Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-16 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-16 Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Max Vonnahme, Son of Board Member Eddie Vonnahme	Summer help	\$ 196
DeAnn Strange, Secretary Spouse owns D&L Electric & Auto	Purchased services	4,028
Roxanne Beeler, Teacher Spouse co-owns (shareholder) Beelers, Inc.	Supplies	230

In accordance with an Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

III-E-16 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting (continued):

- III-F-16 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- III-G-16 Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-16 Supplementary Weighting: Variances in operational sharing impacting the supplemental weighting certified to the Iowa Department of Education were noted.
- Recommendation – The District should contact the Iowa Department of Education to resolve this matter.
- Response – We will contact the Iowa Department of Education.
- Conclusion – Response accepted
- III-I-16 Deposits and Investments: We noted an instance of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa.
- Recommendation – Chapter 12C of the Code of Iowa requires the depository resolution not only list the depository, but also specify the maximum amount that may be kept on deposit in each depository. The Board needs to adopt a depository resolutions meeting both requests.
- Response – The Board adopted a new resolution after year-end with maximum amounts for each depository.
- Conclusion – Response accepted.
- III-J-16 Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.
- III-K-16 Categorical Funding: No instances of categorical funding being used to supplant rather than supplement other funds were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting (continued):

- III-L-16 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 97,286
Revenues/transfers in:		
Other	\$ 38,492	
Statewide sales, services and use tax	854,391	
Debt Service Fund		892,883
Expenditures/transfers out:		
School infrastructure construction	530,746	
Equipment	463,391	
Transfers to other funds:		
Debt service fund	105,346	1,099,483
Ending balance		\$ (109,314)

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- III-M-16 Financial Condition: At June 30, 2016, the Enterprise, Roadrunner Childcare Center Fund had a deficit unrestricted net position of \$14,896. The Statewide Sales, Services and Use Tax Fund had a deficit balance of \$109,314.

Recommendation – The District should close the Enterprise Roadrunner Childcare Center Fund to eliminate the deficit since the program has been discontinued. The District should investigate alternatives to restore the Statewide Sales, Services and Use Tax Fund to a sound financial condition.

Response – The Roadrunner Childcare Center Fund was discontinued in fiscal year 2010, after the fund's inability to produce enough cash flow to meet its expenditures. The District will carry the deficit balance forward unless a transfer is approved by the SBRC from another fund to eliminate the deficit. The District is investigating alternatives to eliminate the deficit in the Statewide Sales, Services and Use Tax Fund.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-N-16 Student Activity Fund: During our audit, an issue arose about the appropriateness of certain accounts, receipts, and expenditures in the Special Revenue, Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted that Booster Club non-cocurricular revenues and expenditures were still recorded in the Student Activity Fund.

Recommendation – The Booster Club should account for their own transactions or the District should set up an Agency Fund for the Booster Club transactions.

Response – We will set up and record the Booster Club transactions in an Agency Fund.

Conclusion – Response accepted.

